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2.1 General. This chapter details, in descending order of executive responsibility, the development of Government policies and procedures affecting the quarters rental program beginning with the basic enabling legislation.

2.2 Legislation.

A. Public Law 88-459, approved August 20, 1964, entitled Federal Employees Quarters and Facilities Act, is the basic legislation authorizing Government agencies to provide quarters and related facilities to their employees only where it is determined by the agency head that necessary service or protection cannot otherwise be rendered, or that inadequate housing exists in the surrounding community. A copy of P.L. 88-459 appears as Appendix 1.

B. Public Law 89-554, approved September 6, 1966, entitled Government Organization and Employees Act, codified and enacted numerous laws as Title 5 of the United States Code. Among those statutes codified were the following:

(1) P.L. 88-459 was enacted as Section 5911, Quarters and Facilities, Employees in the United States (80 Stat. 508).

(2) Act of June 30, 1874 (18 Stat. 109), as amended, was enacted as Section 5536, Extra Pay for Extra Services prohibited (80 Stat. 484).

This Section prohibits the establishment of rents or other charges so as to provide an inducement in the recruitment or retention of employees, or as an inducement to encourage the occupancy of existing housing. Such action would constitute additional pay or allowances which are prohibited unless specifically authorized by law. A copy of Section 5536 appears as Appendix 2.

2.3 Office of Management and Budget Circulars. The Office of Management and Budget (and its predecessor the Bureau of Budget) have issued several management circulars implementing legislation affecting the quarters rental program.

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A. Circular No. A-18, as revised, issued October 18, 1957, sets forth policies for budgeting, planning and undertaking the construction of Federally-owned housing for use in conjunction with Departmental program activities. Note: Neither Circular A-18 nor any other OMB circular establishes Government-wide policies regarding acquisition of housing for use as employee housing.

Transmittal Memorandum No. 1, dated August 23, 1967, revised policies concerning provision of air conditioning of Government quarters.

A copy of OMB Circular No. A-18, revised, appears as Appendix 3.

B. OMB Circular No. A-45, as revised, issued March 28, 1984, establishes the guidelines and procedures to be used in establishing quarters rental rates and charges for related services supplied to tenants, except rentals to the public for revenue purposes. (Policies covering the latter are provided for by OMB Circular A-25.)

A copy of OMB Circular No. A-45, as revised, appears as Appendix 4.

C. OMB Circular No. A-25, as revised, dated September 23, 1959, establishes policy for developing a uniform and equitable system of charges for certain Government services and property. The provisions of Circular A-25 require a fair market value return to the Government whenever quarters are rented for revenue purposes to the general public pending future official use or disposal action. (See IPMR 114-52.701 for definition of public rental.)

The policies of Circular A-25 are not compatible with those of Circular A-45 relative to rental rate establishment. A separate set of procedures must be employed when public rental is contemplated. Refer to Chapter 12 of this handbook and IPMR 114-52.7 for applicable procedures.

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Chapter 2 Legislative and Regulatory Requirements

2.3C(1)

(1) Transmittal Memorandum No. 1 dated October 22, 1963. amended Circular A-25 to require additional annual report and inventory requirements.

(2) Transmittal Memorandum No. 2 rescinded Transmittal Memorandum No. 1, supra., and rescinded paragraph 8 of A-25.

A copy of OMB Circular A-25, as revised, appears as Appendix 5.

2.4 Authority. Authority to prescribe and issue regulations necessary and appropriate to management of quarters and facilities, consistent with controlling legislation and executive regulations (OMB Circulars) has been legislatively delegated to the head of each agency by Section 6 of P.L. 88-459 (see Appendix 1).

The Secretary of the Interior, as an agency head, has in turn delegated authority to each of the program Assistant Secretaries to carry out quarters management activities. Some of these may now be redelegated in accordance with 205 DM 10.1 (see Appendix 7).

To ensure that proper management control is exercised, certain key program authorities may not be redelegated below the head of a bureau or below a Regional Director level (see 205 DM 10.1 B and C, Appendix 7 for specifics).

2.5 Interior Property Management Regulations (IPMR).

A. 114-51 Provision and Assignment of Quarters and Furnishings. This part establishes the regulatory guidelines relative to planning, acquisition, and administration of Government quarters and furnishings.

B. 114-52 Establishment of Quarters Rental Rates. This part establishes the Departmental guidelines applicable to establishment of the rental rate for quarters and the charges for furnishings and related services. This part implements the policies of OMB Circulars A-25 and A-45. A copy of this part appears as Appendix 6.

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C. Temporary Regulations (TR), are issued when time is limited, and the regulation is not of a permanent nature or is subject to frequent change.

(1) Each temporary regulation not subject to frequent change shall have an established expiration date or be scheduled for conversion to a permanent regulation.

(2) Those current temporary regulations concerning the quarters rental program appear as addendum to the appropriate IPMR part, i.e., 114-51 or 114-52, Appendix 6.

D. Quarters Management Releases, are used to transmit general program data such as the annual survey scheduled and Consumer Price Index (CPI) adjustment data.

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3.1 Principles.

A New or additional GFQ's shall not be provided unless it is determined that the quarters are essential to accomplishment of a bureau's mission, and are energy efficient. The need to construct, acquire, procure, or retain for use as quarters previously constructed or acquired housing is limited to circumstances wherein necessary services cannot be rendered, or property protected otherwise.

B. The determination of whether quarters meet the above criteria shall be made by the appropriate program Assistant Secretary, or by the head of the bureau if the authority is redelegated, based upon recommendations submitted in accordance with the provisions of this chapter. The recommendations shall be submitted on Justification for New or Replacement Quarters, Form D.I. 1871, which appears in Appendix 8.

C. Each new or additional (including replacement) quarters unit must be individually justified. In certain instances, only a few key employees may be needed on 24-hour call basis to perform necessary services or property protection actions. The remaining staff shall not be provided GFQ's if adequate private housing is available within reasonable commuting distance. In other instances, the remoteness of location may necessitate provision of GFQ's for all employees other than local hires.

D. Prompt action shall be taken to dispose of any GFQ's not essential to accomplishment of a bureau's mission. Unneeded quarters may result from: growth of nearby communities with resulting availability of adequate private housing, changes in bureau program objectives with attendant reduction in either total staff or required occupants, or improved commuting conditions (new roads, all-weather surfacing of existing roads, etc.).

Housing should not be retained for use as GFQ's merely because it is available. Housing acquired in conjunction with land acquisition programs are particularly susceptible to unjustified retention.

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Retention of unneeded housing generally violates the basic purpose of the acquisition program, i.e., to acquire land for park, wildlife, or other resource management programs. Bureaus should avoid the acquisition of land containing occupied residential housing except where the land is required for program purposes.

3.2 Required Occupancy. Only where it is determined that necessary service cannot be rendered, or that property of the Government cannot adequately be protected otherwise, can an employee be required to occupy GFQ's on a rental basis. Examples illustrative of circumstances where occupancy is required for service or protection may be found in IPMR 114-51.302(b) (2).

The delegations of authority in 205 DM 10 reserve to the appropriate program Assistant Secretary, or the head of the bureau or a bureau Regional Director, the determination of whether an employee must occupy Government rental quarters as a condition of employment. This determination will be based upon the recommendations submitted on Certification of Required Occupancy, Form D.I. 1872, which appears in Appendix 8. Important elements in determining whether an occupant shall be required to occupy Government quarters are as follows:

- (1) Duties performed outside normal working hours.
- (2) Frequency of overtime or standby duty.
- (3) Distance to nearest community with adequate available private housing.
- (4) Response time if alternatively quartered in nearby community and consequences of delayed response.
- (5) Where duties are limited to certain specific times of the year, an explanation of why the work cannot be accomplished by staggering work hours of staff.

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3.3 Obsolete Quarters. The Department is committed to furnishing decent, safe, sanitary, and energy efficient quarters for use of its employees. By definition, obsolete housing is not decent, safe or sanitary. Therefore, where program essential quarters are classified as being obsolete, immediate action is mandated to either repair, remodel, modernize, or replace the existing housing to meet the requirements noted above. Valuation of obsolete quarters will take condition into consideration. Refer to Chapter 4 for valuation procedures.

A. Whenever obsolete quarters are identified and continued occupancy is considered necessary, approval by the appropriate program Assistant Secretary, or the head of the bureau where authority has been redelegated, is a condition precedent to such usage.

B. Interim use of obsolete quarters will be dependent upon positive evidence of action to eliminate the deficiencies. Occupancy of such units is not authorized to continue beyond one year from date of determination of obsolete condition, unless the deficiencies are corrected. }

C. Decisions concerning repair or rehabilitation of obsolete quarters are property management decisions and are not subject to tenant approval, even where an increase in rental rate results. }

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4.1 General. The determination of reasonable value of GFQ will be based upon an impartial study of comparable private rental housing. There are only two methods which may be employed to determine the base rental rate; appraisals and regional surveys. There are slight differences in the methods utilized in estimating the base rental rate depending on whether an appraisal or regional survey is utilized.

4.2 Appraisals. When base rental rates are to be determined by the individual appraisal method, only qualified real property appraisers may undertake the assignment. Such appraisals will be reviewed for technical acceptance by qualified reviewing appraisers, prior to their utilization in establishing the monthly rental charge.

A. Process. With respect to the appraisal process, the normal appraisal process will be used except as limited by the regulations found in IPMR 114-52.

(1) **Urban and Suburban Locations.** If Government quarters are located in or within five miles of an established community, in an urban or suburban location, the base rental rate may be determined by either a staff or contract appraiser, applying recognized real estate valuation principles.

None of the administrative adjustments provided in Chapter 6 will be made for isolation, site amenities, space devoted to official use, or excessive heating or cooling costs when an appraisal is made in an urban or suburban location. These factors, if appropriate, will already have been considered by the appraiser in the appraisal process.

(2) **Rural Areas.** When the appraisal method is used to determine the reasonable value of quarters which are not located in or within five miles of an established community, it will be subject to the following limitation: To ensure a uniform approach to valuation when conducting an appraisal in such areas, the staff or contract appraiser will be limited to comparing the Government-furnished quarters with housing in the nearest established community. If there is no adequate rental market in the nearest established community which is not unduly affected by severe economic conditions, the appraiser may select comparable rental units from the next closest established community having a rental market. Such comparison will be limited to adjustments for the physical differences in the housing. The appraiser in such instances will not make adjustments for isolation or those site amenities listed in Chapter 6. These adjustments will be made administratively in the same manner as authorized for regional surveys.

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(3) Forms. The following standard forms will be used to provide Departmentwide uniformity:

(a) Private Rental Survey (Form D.I. 1873). This form shall be used to document the information concerning all comparables gathered during rental appraisals, whether conducted by staff appraisers, other Government appraisers, or fee appraisers. All contracts for appraisal service shall stipulate the use of the subject form and its companion forms, the Rental Rate Comparability forms.

(b) Rental Rate Comparability (Form D.I. 1874). This three part work form allows the appraiser to spreadsheet the relevant comparative factors and assign weights to each factor. All adjustments should be made to the subject quarters eg., if the GFQ is better enter a "plus" figure, and if GFQ is inferior to the comparable, enter a minus amount.

(c) Government Quarters Inventory (Form D.I. 1875). Prior to conducting the appraisal, the appraiser will either be furnished or will complete on his/her own the appropriate quarters inventory form for the appraised GFQ in accordance with instructions provided. If the completed inventory form has been furnished, it shall be re-verified by the appraiser and co-signed. Any conflicts in the data provided and the observations made by the appraiser will be resolved by the appraiser.

B. Limitations. (1) No less than two private rental units must be utilized for comparative purposes in establishing the base rental rate for each quarters unit.

(2) Since most comparables rent with refrigerator, range, floor coverings, and window coverings, no deductions will be made for these items when computing net rental rates. If any are not present, charges for them will be added to the contract rents.

(3) Central air conditioning and fireplaces will be treated as real property and analyzed as to their contributory market value.

4.3 Regional Surveys.

A. Authority. Section 7a(2) of OMB Circular No. A-45, as revised, provides for regional surveys of quarters as the preferred method for establishing rental rates.

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B. Coverage.

(1) Regional surveys may be used in all locations where Government quarters are located. It is the stated objective of OMB Circular A-45, as revised, and Department of the Interior regulations to use regional surveys in all of the Continental U.S., if at all feasible. Where the regional survey method is used, the base rental rates will be set by means of a series of economic models that utilize typical rental rates for comparable private rental housing in the general area in which the GFQ are located.

(2) The boundaries of regional survey areas will be established by PAM in coordination with the participating agencies/bureaus.

(3) In those states where a regional survey is conducted all Departmental housing, both Government-owned and leased, will be subject to the survey with the following exceptions:

(a) Obsolete-outmoded quarters - quarters which are unsuitable for habitation. This classification would encompass housing which should be rehabilitated, modernized, renovated, replaced, or disposed of. As a general rule it would be difficult to find acceptable comparables in the private rental market for the purposes either of survey or an individual appraisal. Valuation of obsolete-outmoded housing will be based upon an extension of the comparability technique. The procedures for accomplishing a valuation using this technique are set forth in IPMR 114-52.107, Appendix 6.

(b) Bunkhouses/dormitories - and other non-housekeeping quarters for which there are insufficient market comparables will have their rental rates established through application of the modified principle of comparability as detailed in IPMR 114-52.107.

C. Regional Survey Principles and Procedures.

(1) Survey Principles. The purpose of a regional survey is to determine reasonable rents. Such reasonable rents are derived from the analysis of market rents of comparable properties in established communities nearest to concentrations of Government housing.

The process of arriving at the base rent of a structure can be influenced by real estate appraisal principles, statistical limitations, or administrative principles and considerations. Often there may be a conflict among these three which necessitates a trade-off.

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(a) Real estate appraisal principles include matching comparables as closely as possible to the specific subject property in physical characteristics and locations and adjusting in a logical direction for all significant differences.

(b) Statistical principles involve: trying to minimize the standard error of the estimate (unexplained variation); getting a good match of characteristics between the properties analyzed and those the analysis is applied to; obtaining a large and diverse sample; making adjustments only for factors that are significant in explaining variation; and, validating the results where feasible. Ideal samples may not always be available in the market. The market search may be limited (like an appraisal) due to time and budget constraints.

(c) Administrative considerations recognize that Government housing is often not located in or very close to the nearest established community. Physical characteristics such as in historical houses, one room cabins, lookouts, or dormitories are usually difficult to match in the market. Government housing is frequently found in areas influenced by tourism or boom-bust natural resource development that may produce unreasonable rents. Consistency and relative reasonableness, as well as time and budget constraints, must also be taken into consideration.

While tradeoffs among these three considerations may result in a less than ideal application of any one of the three principles, the goal is still to determine base rents which are: relatively consistent with the local market rents for similar properties; internally consistent and logical from one unit to another; and represent reasonable value to the employee.

(2) Government Quarters Inventory. A Government Quarters Inventory, Form D.I. 1875 (Appendix 8), will be prepared or updated manually or electronically for each Government rental quarters unit, prior to conducting each private rental market survey.

(3) Quarters Classes Profile. The quarters data will be classified and analyzed along with other units with similar characteristics. For classification purposes, the quarters will be divided into quarters classes based upon the following criteria, namely:

(a) Housing Classification (permanent, temporary/portable, house trailers/mobile homes, trailer spaces, etc.)

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(b) Dwelling Type (single family residence, apartments, bunkhouse/dormitories, fire lookouts, etc.).

(c) Number of bedrooms (not applicable to bunkhouse/dormitories/fire lookouts, etc.) See Chapter 14 for definition of bedrooms.

(4) Conduct of Survey. The base rental rates for GFQ valued using the regional survey procedure will be established by conducting periodic (at least once every five years) rental surveys. The surveys will be coordinated by the Director, PAM.

(5) Private Rental Market Survey.

(a) When the inventory of Government rental quarters has been completed, and the quarters profiled according to the appropriate quarters' classes, a private rental market survey (hereafter called Survey) will be initiated. The Survey will be undertaken either by a private contractor, or by qualified Government personnel not quartered in Government housing. The purpose of the Survey will be to obtain community and comparative private rental housing data for: use in constructing the base rental rate tables for each established quarters class or classes, where two or more classes are combined into one; and, determination of standard charges for unmetered and unmeasured utilities, furnishings, and related services.

(b) The Survey will include, where feasible, class samples from the established communities nearest each of the Government quarters subject to the survey. However, in the interests of both statistical significance and economy, a community will normally be included in the Survey only if it is used as an established community for more than one GFQ. The private rental samples will be inventoried using the Private Rental Survey, Form D. I. 1873, or similar format.

(c) The private rental market sample should reflect, as closely as practical, the Government quarters by class, age, size, and quality.

(d) At each established community, if available, at least two samples of each housing class should be collected for each class of GFQ's present at the installation, assuming a sufficient number of rentals are present in the rental market. The total number of samples collected in each survey for each quarters class should be sufficient to give an adequate estimate of average rental values for the region.

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(6) Base Rental Rate Tables. The Regional Survey Report will contain base rental rate tables for each class of quarters identified from the inventory of Government rental quarters. PAM shall have the latitude to combine classes into a single class where a review of GFQ's warrants such action.

(a) Procedures to Estimate Base Rental Rate. The base rental rate of a Government Furnished Quarters is the estimated value of that unit before applying any administrative adjustments or charges for related facilities. The contract rents of private sector rental properties are adjusted to exclude the value of furnishings, appliances, monthly utility charges and other services to arrive at an adjusted contract rental rate. Since most comparables rent with refrigerator, range, floor covering, and window coverings, no deductions will be made for these items. If any are not present, charges for them will be added to the contract rents. Central air conditioning and fireplaces will be treated as real property and analyzed as to their contributory market value. Based on these adjusted comparable rentals, adjustments are then made for physical and economic dissimilarities between the comparables and GFQ to arrive at the base rental rate for the GFQ.

(b) The private rental market housing samples will be screened as to adequacy prior to derivation of the base rental rate formulas. Private rental samples with base rental rates which are substantially higher or lower than the median for samples in a given class, should be carefully scrutinized as to actual comparability. No private rental unit should be included in the final sample where the comparables sampled are subject to unreasonable conditions of seasonal agriculture or tourism, population explosion, severe economic depression or boom, or other conditions which may have created an inequitable rent structure.

(c) Relevant community data and rental sample data for each quarters class will be analyzed to construct the base rental rate table applicable to that quarters class. Automated statistical programs, such as multiple regression, may be employed to analyze the survey data and produce the rental rates for specific housing units or, in lieu thereof, rental rate tables.

(d) Base rental rates shall reflect basement area and any garage-carport where appropriate. Adjustments for basements and garage-carports may in some surveys be separately calculated. In such cases their value must be added to the values set forth in the rental rate tables to determine the base rental rate for a specific GFQ.

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(e) In constructing the respective class base rental rate tables, the rates will generally vary according to age and size groupings. In some instances, however, market conditions may not warrant an adjustment for either age or size. The rates may also be subject to further variance to reflect other major factors contributing to rental value, such as; central air conditioning, garage spaces, exterior condition, nearest established community, etc. All such information will be provided in the regional survey reports.

(f) When establishing the base rent for a particular GFQ, the construction of the unit, not its use, will determine its housing classification and base rent. Example: If a unit is constructed as a single family dwelling (say a 3-bedroom house) but is used as a dormitory, it will be still valued as a 3-bedroom house, not as a dormitory.

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5.1 General Policies.

A. Provision of Services. It is Departmental policy that all utilities, furnishings, and related services shall be provided and billed directly by the supplier to the occupant when feasible. It is recognized that in certain circumstances, generally involving remote locations or seasonal occupants, it may not be feasible to require that the occupant of Government quarters deal directly with the supplier. However, remoteness of location or seasonal operations are not sufficient reasons by themselves for the Government to involve itself in providing a service.

B. Metering. Departmental and OMB policies require that an occupant pay the cost of services received. Therefore, energy consumption and prevailing commercial rates per unit of consumption must be determined as accurately as possible. Meters are to be installed on all quarters unless Departmental approval for non-installation is requested and granted.

C. Assessment and Collection. Failure to assess and/or collect the full comparable cost of services provided an occupant constitutes a supplementation of salary which is prohibited by law.

D. Charges. Federal energy conservation objectives necessitate that energy usage be minimized. One method of accomplishing conservation is to require that people pay for actual energy consumption. Where this is not possible, PAM will provide consumption/cost estimates for utilities, furnishings, and services.

Where the annual or seasonal charge for a service is determined, it should be reduced to a monthly charge for the entire year. These charges will reflect the degree to which the Government provides the service. Thus, where full service is provided (lawns cut, garbage hauled) by the Government, the rates charged will be comparable to those in the nearby community or survey area. When partial service is provided, the rates will reflect the degree of service provided.

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5.2 Definitions. Related facilities are equipment, supplies, and services made available in connection with the occupancy of quarters including but not limited to:

A. Furnishings.

1. Refrigerator (standard or apartment size)
2. Range (standard or apartment size)
3. Window Air Conditioner
4. Washer (standard or apartment size)
5. Dryer (standard or apartment size)
6. Carpeting and Drapes
7. Garage/Carport
8. Swimming Pools

B. Services.

1. Unmetered utilities (heat, electricity)
2. Community Services (water, sewer, and garbage/trash)
3. Cable or Satellite T.V.
4. Lawn Service or Equipment
5. Laundry Services
6. Day Care
7. Snow Removal

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6.1 General. Once the base rental rates are established, whether by appraisal or regional survey, certain administrative adjustments to the rates, reflecting special circumstances of occupancy are authorized by OMB Circular No. A-45, as revised.

The adjustments authorized by Section 7c of the Circular are to be used, when and as appropriate, to establish a "reasonable value for the quarters" to the employee.

6.2 Isolated Locations.

A. In some cases, the Government supplies quarters in locations where minimal community services are available but only at some distance from the quarters. In addition, travel conditions or mode of transportation may serve to further isolate some employees from minimal community services. In such situations, the head of an agency shall grant a reasonable adjustment to ameliorate the direct economic effects of the isolation, utilizing the procedure described below and shown on the Isolation Adjustment, Form D.I. 1876, (Appendix 8).

B. The nearest established community will be used as the community for calculating the adjustment, even though that community may not serve as the location of the comparable private housing used in establishing the base rental rates. The mileage used in computing the adjustment will be the shortest route usually traveled from the rental quarters to the nearest established community. If that route is closed seasonally, a weighted average adjustment will be used for the entire year, based upon the number of months each route would ordinarily be used.

C. The adjustment is designed to recognize different categories of highways and modes of transportation. Because of the range of possible travel conditions and modes of transportation, point values have been assigned to each category of transportation. These point values represent differences in time, cost, or both associated with each mile of each category of transportation from the quarters to the nearest established community.

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D. The point values are multiplied by the number of one-way miles from the quarters to the nearest established community, to produce one-way points. When travel from the quarters to the nearest established community involves more than one category of transportation, the one-way miles are distributed accordingly. The one-way points in each category are then added to produce total one-way points, which must exceed 30, or there is no adjustment. Finally, the total one-way points for all modes of transport are multiplied by an Isolation Adjustment Factor (IAF), to produce the monthly dollar adjustment.

E. Definition/Application of "Hazardous Conditions". For purpose of calculating the isolation adjustment, hazardous conditions are defined as those travel conditions which, regardless of road surface, involve repeated exposures to high risk of harm or injury over a substantial portion of the year. The application of this is expected to be a very rare occurrence.

The fact that some areas of the country are subject to snowstorms or other acts of nature does not automatically bring the hazardous conditions aspect of the isolation adjustment into force. The hazardous conditions must be constant, not occasional, and they must involve repeated exposures to high risk of harm or injury. Bureaus are to ensure that application of this feature is made only when such conditions exist.

F. Isolation Adjustment Factor (IAF). For purposes of computing the Isolation Adjustment, PAM will compute and publish the Isolation Adjustment Factor (IAF) to be used. The factor will be based in part on the General Services Administration (GSA) mileage allowance for privately owned motor vehicles in effect as of the last day of September each year. The effective date of the IAF will be the first day of the first full pay period in February of each year, and will remain in effect until the following February. The IAF will not be recomputed every time GSA changes the mileage allowance.

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6.3 Site Amenities. Establishment of the base rental rate under OMB Circular No. A-45 procedures employs the presumption that the Government Quarters occupy the identical lot as the private rental comparable. Thus, only the salient differences in the structures are subject to comparison and adjustment.

A. The following guidelines are to be applied by each Bureau in determining whether GFQ have superior, equal, or inferior site amenities as compared to private rental housing in the nearby communities or survey area. The amenities listed below are generally, but not always, present in the communities surveyed and their contributory value will have been included in the base rent. The lack of availability of any of these items at the Quarters location should be reflected as a negative percentage adjustment to the base rental rate, as shown below. Similarly, an upwards percentage adjustment should be made in the base rental rate for quarters possessing site amenities which are not present in the survey or appraisal communities used to establish the base rent. The standards to be used for determining the presence or absence of amenity factors appear below.

(1) Reliability and Adequacy of Water Supply. The system should provide potable water (free of significant discoloration or odor) at adequate pressure at usual outlets. (+ or - 3 percent).

(2) Reliability and Adequacy of Electric Service. Service must equal or exceed a 100 ampere power system capable of providing 24-hour service under normal conditions. (Occasional temporary outages are considered normal.) If an adequate backup generator is available, the amenity will be rated as present regardless of the reliability of the primary power source. (+ or - 3 percent).

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(3) Reliability and Adequacy of Fuel for Heating, Cooling, and Cooking. There should be sufficient fuel storage capacity to meet prevailing weather conditions and cooking needs. Where electricity is used to heat, cool or cook, this adjustment is to be made only when the deduction above applies. (+ or - 3 percent).

(4) Reliability and Adequacy of Police Protection. Law enforcement personnel, including Government employees with law enforcement authority, should be available on a 24-hour basis. Availability is defined as the ability to respond to emergencies as quickly as if located in, or adjacent to, an established community. (+ or - 3 percent).

(5) Reliability and Adequacy of Fire Protection. Fire insurance should be available with the premium charge based upon a rating equal to the rating available to comparable housing located in or adjacent to the nearest established community, or adequate equipment and trained personnel available on a 24-hour basis to meet foreseeable emergencies. (+ or - 3 percent).

(6) Reliability and Adequacy of Sanitation Service. An adequately functioning sewage disposal system and a solid waste disposal system, whether community or individually provided, should be available. Individual sewage disposal systems (septic, cesspool, or other) will be considered adequate even though they may require periodic maintenance, as long as they are usable during periods of occupancy. (+ or - 3 percent).

(7) Reliability and Adequacy of Telephone Service. Twenty-four hour accessibility to commercial facilities with private lines should be available (+ or - 1 percent). The service interruption level should not substantially exceed that normally occurring in the nearest established community. (+ or - 1 percent).

(8) Noise and Odors. There should be an absence of significant, frequent disturbing noises or offensive odors. (+ or - 3 percent).

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(9) Miscellaneous Improvements. There should be one or more of the following improvements: Paved roads, sidewalks or street lights. (No more than a + or - 1 percent adjustment can be made for this category.)

B. Documentation. Whenever it is determined that certain of the amenity factors for a given quarters are either inferior or superior to comparable private rental market housing, documentation supporting the decision must be included in the appraisal report and the installation quarters file. In the case of regional surveys, the survey report will identify which amenities are present or absent in the survey area.

(1) Documentation must be sufficiently detailed to establish the basis for the rating given each amenity. As an example, if electrical service is rated inadequate, and a negative adjustment has been given, the basis for the rating must be shown. If due to excessive and prolonged outages, the number of outages and the length of outages should be identified as established in the standard for reliability and adequacy of electric service. This information should be recorded for both the Government Quarters and the private housing in the locality.

(2) Verification must be accomplished annually (between surveys) as to the continued application of each amenity adjustment factor. This should be accomplished each year in conjunction with the CPI adjustment actions, through completion of a new Rent Computation Schedule, Form D.I. 1880.

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6.4 Impositions on Privacy or Living Space. OMB Circular No. A-45, as revised, establishes the basic policy and broad guidelines relative to a determination of whether a deduction is appropriate for loss of privacy or living space.

A. General. To qualify for an administrative adjustment, it must be determined that the occupant's use and enjoyment of the quarters has been seriously diminished by constant and substantial infringement on the private family area. This infringement may occur:

- (1) Because a portion of the quarters is required for;
 - (a) the purpose of accomodating official visitors, or
 - (b) the general convenience of the public, or
- (2) due to restrictions on use imposed by the bureau, or
- (3) space required for official business (i.e., office, storage, etc.).

B. Invasions of Privacy/Restricted Use. For impositions on privacy resulting from circumstances noted in 6.4A(1) and (2), above, a deduction not to exceed 10 percent of the base rental rate is allowed. Deductions of less than 10 percent shall be made in situations of less frequency or seriousness in their impact upon privacy or usage or to reflect seasonal variations.

(1) Privacy. To be eligible for a deduction under 6.4A(1) the imposition on privacy must be both continual and substantial in nature. Occasional visits by V.I.P.s or facility users, particularly to the home of an installation/project leader or district manager, would not suffice to establish an imposition on privacy. However, contacts with the public, over a limited time period such as the fall hunting season, would be sufficient to qualify for a proportional deduction. The contacts must be frequent, take place over an extended period each year, and involve the residential area. Contacts may result from either personal visits or telephone calls.

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(2) Restricted Use. A deduction for a restriction on use under 6.4A(2) would be allowed when the quarters is located in a national cemetery or is an integral feature of the historic or natural scene that is being preserved in a national park or similar area and the occupant is also severely inhibited or restricted by written bureau instructions from enjoying the full range of activities normally associated with rental occupancies, (e.g. no outdoor personal or family recreational activities.)

(3) Bureau Responsibilities. No attempt has been made in this Handbook to define or describe every conceivable situation, or set of circumstances that may be eligible for deduction as an invasion of privacy or restriction on use. Charts or other devices have not been developed to assign deduction percentages.

Rather the bureau heads will, within the general framework outlined above, be responsible for the exercise of good judgement and equitable treatment of quarters occupants who may be faced with varying degrees of "imposition on privacy or living space" within the same installation or in different installations within the bureau.

Where deductions are authorized, bureau heads will require that the circumstances be fully documented through the use of logs (showing frequency of contacts) and written determinations illustrated with photographs or drawings as appropriate, and written bureau policies.

C. Space Devoted to Official Use. Where the head of a bureau or appropriate representative has determined and authorized utilization of a portion of a quarters for official business, an adjustment will be made to the base rental rate. The adjustment will be based on square footage occupied.

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Chapter 6 Administrative Adjustments to Base Rental Rates

6.4C(1)

(1) Regional Surveys. If a regional survey has been conducted, the new base rental rate may be taken from the appropriate rent chart provided as a part of that survey report.

EXAMPLE 1,200 sq. ft. 3 bedroom dwelling. A 200 sq. ft. bedroom used as official office space only.

COMPUTATION: Deduct 200 sq. ft. and 1 bedroom from totals. Use 2 bedroom rent chart. Find rent for 1,000 sq. ft. dwelling of same age.

NOTE: The Base Rent Charts produced as a part of regional surveys do not exceed certain sizes. Thus, if a unit exceeds the size on the rent chart, the extra space (above the chart maximum) is not being charged to the tenant. Therefore, if the unit still exceeds the chart maximum after deducting the square footage devoted to official use, no adjustment is necessary or authorized for square footage.

(2) Appraisals. If the base rent was established by an appraiser, the new base rent will be determined by dividing the area (square feet) dedicated to official use by the total living area and multiplying the resulting decimal by the base rental rate.

EXAMPLE: 1,200 sq. ft., 3 bedroom dwelling, 200 sq. ft. used as official office space. Base rental rate \$200 per month.

COMPUTATION: 200 sq. ft. divided by 1,200 sq. ft. = .1667

 .1667 x \$200 = \$33.34 . \$200(-)\$33.34 = \$166.66 new base rental rate.

Note in both cases that the result of the computations is a new base rental rate. All other authorized and appropriate adjustments are made to this new base rate.

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6.5 Transient Quarters. Where quarters are occupied on a transient basis - normally for 90 days or less - Quarters so occupied will be charged for at rates equivalent to private transient quarters of comparable type and quality when available. Rates may be set on a nightly or weekly basis or both. Where comparable private transient quarters are not available in the area, rates may be established by determining the reasonable monthly rental rate for the quarters and adding thereto an additional charge of 20 percent. The sum of these will be divided by 30 to determine the nightly rate, or by 4 1/3 to determine the weekly rate.

Transient quarters are motel type accommodations and are usually provided with linens and special service.

6.6 Temporary Quarters - Maintenance of Two Households. Where permanent personnel occupy rental quarters while performing assigned work, they may be transferred to a field location under certain conditions. Where it is necessary for an employee to maintain two households for the convenience of the Government, one permanent and one temporary, and he or she is not eligible for per diem, the rental rate for the rental quarters may be adjusted so that the combined housing costs (exclusive of utilities) which the employee must pay over a twelve month period is not excessively burdensome. Unless approval is granted by PAM, the adjustment authorized shall not exceed 20 percent of the base rental rate for the temporary quarters. In the above situation, all permanent personnel who are assigned temporary quarters and must maintain two households, shall be designated as required occupants during the period of such occupancy.

NOTE: This situation is extremely rare since the employee in most instances would be placed in travel status and furnished either (a) housing in lieu of per diem, (b) a reduced per diem, or (c) with appropriate deductions made from the per diem claim.

6.7 Excessive Size. When an employee is assigned quarters in excess of the reasonable size needs of the employee's family, an adjustment for excessive size will be authorized.

When the quarters are satisfactory other than for the presence of unneeded bedrooms the extra bedrooms may be closed off to occupant use. In such a case the quarters base rate will be recalculated using the Survey Base Rental Tables to determine the new base rate for the smaller unit. (As shown in 6.4.C, Space Devoted to Official Use.) If the room is not closed off by reason of tenant preference (i.e., they want to use the space) no adjustment is authorized.

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Chapter 6 Administrative Adjustments to Base Rental Rates

6.7

Once the rate for the smaller unit has been determined using the Survey Base Rental Tables, if excess space still exists, the criteria outlined in Section 6 and 7 of OMB Circular A-18 will be followed to determine the degree of excess.

If the amount of square feet exceeds those listed on the chart for the family size, a flat 10% of the CPI Adjusted Base Rate will be deducted.

6.8 Inadequate Size.

A. An adjustment for inadequate size will be permitted when an employee-tenant occupies rental quarters which are clearly inadequate to accommodate the employee's immediate family needs. "Immediate family" is limited to family members for whom the employee furnishes legal support. The adjustment will continue for as long as no housing of suitable size is available.

Should the employee choose not to relocate to available housing of adequate size when it becomes available, the adjustment shall be eliminated.

B. To ensure uniformity in application of the above deduction, the table below reflects the number of bedrooms and the size of immediate family. In the event one of these conditions is met, the occupant may receive a reduction of 10% of the CPI adjusted base rental rate.

<u>Number of Bedrooms</u>	<u>Quarters Inadequate if:</u>
1	3 or more occupants
2	5 or more occupants
3	7 or more occupants
4	9 or more occupants
5	11 or more occupants

C. Quarters will also be considered inadequate whenever 2 children of opposite sex 10 years or older must share a bedroom. Should these conditions exist the occupant will be entitled to the 10% deduction.

(1) Eligibility - Only permanent year round occupants will be eligible for a deduction based on inadequate size.

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(2) This deduction will not continue beyond 30 days after the availability of either appropriate rental quarters or private housing, except when the head of the bureau determines that the reassignment of quarters will not serve to benefit the Government. The determination of the availability of alternate housing will comply with the rules of availability of housing for rent, sale or recently rented or sold and those concerning commuting distances contained in OMB Circular A-18.

6.9 Excessive Heating/Cooling Costs. Where GFQ are determined to be inadequately constructed or insulated so that the annual heating/cooling costs are excessive (and not attributable to tenant actions) the Government shall reimburse, in accordance with this section, the costs over and above those for comparable private rental housing.

A. Before any deduction is authorized deficiencies must be observed and recorded, and action programmed to remedy any deficiencies (subject to feasibility and budget constraints).

B. Where excessive cooling costs are involved, reimbursement action will be further conditioned upon compliance with GSA housing standards relative to authorized installation of cooling equipment in Government housing.

C. The only reason for this adjustment is to reimburse employees for excessive costs incurred because the Government has supplied housing which is not adequately constructed or insulated. If the unit meets minimum insulation and/or construction standards, no adjustment is authorized, regardless of energy consumption or cost.

D. The quarters occupant must provide adequate documentation to the agency in support of the request for excessive heating/cooling deductions by producing utility bills, data from the servicing utility company providing comparability information, photographs or other proof of poorly insulated quarters, and other documentation to support the excessive heating/cooling deduction claim. If the employee cannot produce utility bills, or other receipts, no adjustment is authorized.

E. The procedures to be followed in calculating the heating/cooling adjustment in the several possible situations are as follows:

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(1) The responsible bureau official will ensure that the GFQ is inspected as to adequacy of insulation and construction. If the unit meets minimum standards as outlined in Appendix 10, no adjustment is authorized. If the unit does not meet these standards, then the steps outlined in 2 through 5 below apply.

(2) The Government shall determine the average heating/cooling cost of the comparables where proper energy conservation practices are observed. If the GFQ in question require expenses to the occupant in excess of 125 percent for the heating or cooling season over the average of heating or cooling for the comparables, the excessive costs (those in excess of 125 percent of the average) will be deducted from the annual rental rate. The cost factors for the comparables may be derived from either the study of private market units supplied as part of the regional surveys or up-to-date cost/consumption figures provided by local utility companies.

(3) Where old, possibly historic, housing is occupied as quarters the housing may lack insulation. The addition of insulation, in such cases, may not be practical. Yet, tenancy may be required for administrative reasons.

In such instances, that portion of the housing occupied as quarters should be determined. Reimbursement of excessive heating/cooling costs would be based on costs in excess of 125 percent of the costs incurred for a well-insulated dwelling unit with similar useable living space.

(4) Since the heating/cooling requirements vary from year to year, this adjustment will be predicated upon the previous heating/cooling season and adjusted each year simultaneously with the Consumer Price Index adjustment action.

(5) The reimbursement formula for excessive heating/cooling costs appears in Excessive Heating/Cooling Deduction, Form D.I. 1878, (Appendix 8).

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7.1 Net Base Rental Rate. The net base rental rate is the rental rate resulting from the adjustments (additions or deductions) made to the base rental rate. Adjustments to the base rental rate are permitted under OMB guidelines where strict application of the principle of comparability would otherwise result in something other than reasonable value.

A. Adjustment Limitation. To ensure that the net base rental rate is not less than the reasonable value prescribed by the Circular guidelines, a limitation has been placed on the total amount of adjustments permitted to be made against the base rental rate.

The rental rate, after all adjustments and the addition of charges for furnishings, must not be less than 50 percent of the base rental rate, unless an adjustment for isolation has been made. In such instances, the rental rate may be set at not less than 40 percent of the base rental rate.

B. Rent Computation Schedule. Calculation of the net base rental rate is accomplished by completion of the Rent Computation Schedule, Form D.I. 1880 (Appendix 8), for each quarters unit.

The schedule is a summary form used in computing and displaying the monthly rental charge for each quarters unit. Where two or more quarters units in a given location are similarly constructed, and have identical charges and deductions, a single schedule may be prepared covering all of the units. Copies of the schedule must be maintained at the installation/project level, bureau approving office level, and the headquarters office level. A copy of the schedule should also be provided to the tenant.

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8.1 New Quarters.

A. No housing is to be used as quarters unless approval of the appropriate program assistant Secretary, or by the head of the bureau if the authority is redelegated, shall first be obtained. Justification for quarters shall be submitted on Justification for New or Replacement Quarters, Form D.I. 1871, (Appendix 8).

B. Where additional quarters are approved for use as employee housing, the monthly rental charge for the quarters, utilities, furnishings, and related services are to be established prior to assignment of quarters.

(1) In an area where rental rates are not established in accordance with normal survey procedures, an interim rate may be established based upon charges recommended by an appraiser. The interim charges should be compatible with the charges for other quarters in the same locality.

(2) Where interim rental charges are utilized, final charges shall be established through normal survey or appraisal procedures within six months of the date the interim charges are approved.

8.2 Existing Quarters. The revised monthly rental charges for quarters, furnishings, utilities, and related services, when and as applicable, shall become effective in accordance with the following guidelines.

A. Adjustments. The annual (interim year) adjustments to the rental rate shall be based upon changes in the Consumer Price Index (CPI) and shall become effective at the beginning of the first full pay period which starts on or after February 1 of each year. The CPI adjustment shall be applied to:

(1) Base rental rate.

(2) Furnishings - where no adjustment is made at least annually to reflect actual replacement cost schedules.

(3) Utilities - where the utilities are flat rated (not metered or otherwise measured), and no adjustment review is conducted at least annually to ensure application of current domestic rate schedules.

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Chapter 8 Implementation of New and Revised Rental Rates

8.2A(4)

(4) Related services - where no documented review is conducted at least annually to determine current prevailing charges in the locality, or where no similar service is available in the surrounding community.

B. Resurveys.

(1) Resurvey actions should be initiated nine months in advance of the anniversary date when the rental charges were previously implemented unless the survey process can be completed in less time. Included within the suggested nine month time frame is the required minimum tenant notification period of 30 days.

(2) Where the private rental market is resurveyed or appraised in accordance with the guidelines in OMB Circular No. A-45, revised, and IPMR 114-52 et seq, the rental charges shall be implemented as soon as possible after completion of the survey or appraisal.

8.3 Tenant Notification. Where revised rental charges are to be implemented, whether due to resurvey, appraisal, or CPI adjustment actions, the monthly rental charges (biweekly payroll charge) shall not be implemented until at least 30 days after the tenant shall have received notification in writing of the basis and the amount of the charge.

The Departmental Quarters Assignment Agreement, Form D.I. 1881, (Appendix 8) includes a provision for automatic implementation of revised rates without need for execution of a new assignment agreement. Tenant notification shall be accomplished through use of the Notice of Rental Rate Adjustment, Form D.I. 1882, (Appendix 8), or similar form.

8.4 Requests for Reconsideration/Appeals. Employee-tenants have the right to contest any aspect of the rental rate establishment process. The two mechanisms for doing so are; (1) requests for reconsideration, and (2) appeals. The employee must undertake these in accordance with applicable bureau and Departmental regulations.

Bureaus must ensure that employee tenants are aware of their rights and the procedures for exercising these rights.

The Departmental regulations governing these processes are to be found in 114-52.602.

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8.5 Incremental Implementation. If appraisals, surveys, or CPI adjustments result in substantial increases in bi-weekly charges (i.e. 50% or more above current charges), such increases may be imposed incrementally over a period not to exceed one year, on the condition that they be applied in equal increments on at least a quarterly basis. If the increase in bi-weekly charges is less than 50%, bureaus must implement the increase in full.

8.6 Exceptions. Efforts have been made in the preparation of this Handbook to allow for unusual circumstances that may exist with respect to rental quarters. Exceptions to the rate establishment procedures will be prescribed, therefore, only upon written request by the bureau through PAM to the Office of Management and Budget. The requests should be sent only when the bureau can demonstrate that application of the provisions of this Handbook will not result in a rental rate equivalent to the reasonable value of the quarters to the occupant. Bureaus will ensure that they have exhausted all means available to them prior to submitting such a request. These include allowing the employee to live in private sector housing. PAM will provide written notification if an exception is granted by OMB.

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Chapter 9 Quarters Assignment

9.1

9.1 Criteria.

A. Occupancy. P.L. 88-459 (78 Stat. 557) provides that "... an employee... shall not be required to occupy quarters on a rental basis unless the head of the agency concerned shall determine that necessary service cannot be rendered, or that property of the Government cannot adequately be protected, otherwise."

B. Construction. In accordance with the policies set forth in OMB Circular No. A-18, Government furnished quarters are to be constructed (furnished) only where essential to accomplishment of the agency mission. The three circumstances set forth in A-18 which justify provision of quarters are:

- (1) To meet requirements of service.
- (2) To meet requirements of protection.

(3) Unavailability of suitable private housing within reasonable commuting distance.

9.2 "Required" Occupancy. Under the circumstances in 9.1B(1) and (2), occupancy would be termed "required." The requirement of occupancy should be specified in the employee's job announcement, Notification of Personnel Action, SF-50, and made a condition of employment. The decision of a bureau head concerning required occupancy is final.

A. For a position to meet the criteria as being necessary for service or protection, the occupant must be engaged in an activity related to protection of life and property and subject to frequent call back or emergency overtime duties. Examples of the types of service and protection involved in "required" occupancy situations are to be found in IPMR 114-51.302(b)(2). Prior to assignment of personnel, where required occupancy designation is desired, approval must be obtained from the appropriate program Assistant Secretary, or other appropriate official if such authority has been redelegated, using the Certification of Required Occupancy, Form D.I. 1872 (Appendix 8), to document the justification for such designation.

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Where the nearest established community is located 30.1 or more miles, or if less, forty-five or more minutes normal commuting time by private automobile, the head of the bureau may require occupancy in accordance with the circumstances 9.1B(3) to ensure availability of employees to meet service or protection requirements.

B. A determination must be made at each installation/project whether any position meets the criteria essential to designation as a "required" occupant.

C. Generally, specific quarters are assigned to the occupant of a "required" occupancy position. In accordance with 114-51.301 such assignments shall be made without regard to race, creed, color, sex, age, or national origin.

D. Required occupancy determinations should be reviewed annually by the bureaus.

9.3 Other Occupancy.

A. Where quarters have been assigned to all "required" occupants, the remaining quarters are to be assigned to other occupants in accordance with the following criteria (assuming that at least one of the criterion in 9.1B have been satisfied).

(1) Priority shall be based upon a published formula established by each bureau which considers grade, seniority, permanency of position, family size, and the sex and age of the children.

(2) Where possible, larger quarters will be assigned to larger families.

(3) Consistent with 9.3A(2) above, larger or more expensive quarters should be assigned to higher salaried personnel.

(4) All vacancies in quarters made available to other occupants on a priority basis shall be filled in accordance with the established formula. The installation/project head is permitted discretion to fill, without regard to established priorities, on a temporary basis only, quarters vacated by a required occupant, pending refilling of that position.

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Chapter 9 Quarters Assignment

9.3A(5)

(5) Bureau employees should be favored over other Government employees and third parties, under normal circumstances.

9.4 Records.

A. Each installation/project office shall maintain a record of all housing assignments. All assignments shall be made in writing utilizing the Quarters Assignment Agreement, Form D.I. 1881, (Appendix 8), or similar form.

(1) This form provides the essential contractual elements common to all assignments. Each bureau may incorporate additional terms and conditions deemed applicable to a given tenancy situation.

(2) This form also provides for annual adjustment of the monthly rental charge utilizing the Consumer Price Index procedures outlined in IPMR 114-52.207. Thus, the agreement need not be re-executed annually, but will be effective until the tenancy is terminated, or the base rental rate is revalued (normally every fifth year).

B. The respective bureaus have responsibilities as landlords and property managers to ensure that GFQ are in good condition when assigned to employees, and when employees vacate the units. Therefore, the units should be inspected by bureau housing personnel before and after each tenancy, and a written record made of condition of the unit. An optional form for this purpose, Quarters Occupancy/Vacancy Inspection, Form D.I. 1879, is included in Appendix 8. The written record will be maintained as part of the tenancy files of the installation.

9.5 Property Management. In order for the bureaus to fulfill their responsibilities as landlords and property managers, they must from time to time inspect their GFQ and make decisions concerning replacement of appliances and installation of equipment relating to safety, health, or energy efficiency.

Replacement of appliances, furniture or furnishings, and the installation of woodburning stoves, air-conditioners, smoke alarms, etc. are property management decisions. Such decisions are not subject to prior approval by the tenants even if they result in increases in rent. While every effort should be made to avoid inconvenience to the tenants (e.g. scheduling maintenance, painting, carpet cleaning, etc. during periods of vacancy) this is not always possible. This should be made known to the tenants at time of occupancy.

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10.1 Consumer Price Index (CPI) Adjustments. The private rental market is normally a dynamic market with many factors affecting the determination of rental rates. In an effort to maintain Government quarters rental rates in approximate balance with the changes which occur in private market rental rates (in the interim period between rental surveys) Government quarters rental rates are adjusted annually using the CPI adjustment system.

A. The CPI adjustment is applied to the base rental rate and to charges for furnishing and related services when such charges are not otherwise reviewed and adjusted annually. Application of the CPI adjustment requires recomputation of the net base rental rate and net monthly rental charge.

B. Where the charges for furnishings and related services are reviewed and adjusted annually by PAM, to ensure that the charges reflect the rates in the private sector, no CPI adjustment will be applied to such charges.

10.2 Annual Review Requirements.

A. Absent the annual CPI adjustment for furnishings and related service charges, a bureau may review the basis for the charges to determine whether they have changed from the previous year. The review must be conducted each year in time to be incorporated with the rental CPI adjustment. This will permit any adjustments necessary to bring the Government charges in line with the prevailing private residential rates to become effective as of the first full pay period in February of each year along with the CPI base rent rate changes.

B. To ensure that the charges are adequately and uniformly reviewed, and the prevailing rates documented, a new Rent Computation Schedule, Form D.I. 1880, should be completed each year. The procedures for review of the charges for furnishings and related service charges will be left to bureau discretion, unless PAM has published new charges in regional survey areas.

C. Several examples of review and adjustment actions which would negate the need for additional CPI adjustment of the rates are as follows:

(1) Publication by PAM of new cost replacement schedules for major appliances, furniture, and furnishings.

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(400 DM ADDITION TO IPMR)

Chapter 10 Cyclical and Annual Adjustments

10.1

10.1 Consumer Price Index (CPI) Adjustments. The private rental market is normally a dynamic market with many factors affecting the determination of rental rates. In an effort to maintain Government quarters rental rates in approximate balance with the changes which occur in private market rental rates (in the interim period between rental surveys) Government quarters rental rates are adjusted annually using the CPI adjustment system.

A. The CPI adjustment is applied to the base rental rate and to charges for furnishing and related services when such charges are not otherwise reviewed and adjusted annually. Application of the CPI adjustment requires recomputation of the net base rental rate and net monthly rental charge.

B. Where the charges for furnishings and related services are reviewed and adjusted annually by PAM, to ensure that the charges reflect the rates in the private sector, no CPI adjustment will be applied to such charges.

C. When the private rental market survey or appraisal is made during the months of August through January, no CPI adjustment will be made on the upcoming February 1, but will be deferred until the start of the first pay period which begins after February 1 of the following year. Rental adjustments based on the survey or appraisal will be put into effect in the usual manner. Example: If the survey month is September 1984, no CPI adjustment will be made in February 1985, but will be deferred until February 1986. Such CPI adjustments will be based on the changes in the CPI from the actual date of the survey through September 1985.

D. When the private rental market survey or appraisal is made during the months of February through July, no CPI adjustments will be made in February of that year, but will be deferred until the start of the first pay period which begins after February 1 of the following year. Rental adjustments based on the survey will be put into effect in the usual manner. Example: If the survey month is March 1984, no CPI adjustment will be made in February 1984, but will be deferred until February 1, 1985. Such CPI adjustment will be based on the changes in the CPI from the actual date of the Survey through September 1984.

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Chapter 10 Cyclical and Annual Adjustments

10.2

10.2 Annual Review Requirements.

A. Absent the annual CPI adjustment for furnishings and related service charges, a bureau may review the basis for the charges to determine whether they have changed from the previous year. The review must be conducted each year in time to be incorporated with the rental CPI adjustment. This will permit any adjustments necessary to bring the Government charges in line with the prevailing private residential rates to become effective as of the first full pay period in February of each year along with the CPI base rent rate changes.

B. To ensure that the charges are adequately and uniformly reviewed, and the prevailing rates documented, a new Rent Computation Schedule, Form D.I. 1880, should be completed each year. The procedures for review of the charges for furnishings and related service charges will be left to bureau discretion, unless PAM has published new charges in regional survey areas.

C. Several examples of review and adjustment actions which would negate the need for additional CPI adjustment of the rates are as follows:

(1) Publication by PAM of new cost replacement schedules for major appliances, furniture, and furnishings.

(2) Annual review of utility rate schedules for domestic service for electricity, fuel oil, gas etc., to determine rate changes, if any. Where changes have occurred, the flat rated charges for utility services would be adjusted accordingly.

D. Each bureau must make an election as to which system of adjusting the charges for furnishings and related services to follow in non-survey areas. The adjustment approaches cannot be selectively applied or alternated to obtain the most favorable rates from either the tenant or Government's standpoint.

To facilitate the annual CPI adjustment action, the Rent Computation Schedule Form D.I. 1880 (Appendix 8) has been developed for bureau optional use. This Form, or an equivalent bureau form, is to be completed annually and made a part of each quarters rental file, and copies submitted to both regional and headquarters level offices.

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10.3

10.3 Annual Computations of the Isolation Adjustment Factor.

The Isolation Adjustment Factor (IAF) will be recomputed by PAM each October. The recomputation will reflect the Government mileage allowance for privately owned automobiles published by the General Services Administration (GSA) as of the last day of September each year. The new IAF will be used to compute the isolation adjustment applicable to rents being charged starting with the first full pay period in February of each year. This is done to coincide with the implementation of rental rates adjusted by the CPI Rent Series each year. The factor will remain in effect until the following February. The factor will not be recomputed every time GSA changes the mileage allowance.

